

Program Proposed Budget

The following table summarizes the executive budget proposal for this program by year, type of expenditure, and source of funding.

Program Proposed Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Exec. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Exec. Budget Fiscal 2007	Total Exec. Budget Fiscal 06-07
FTE	450.61	(6.17)	0.00	444.44	(6.25)	0.00	444.36	444.36
Personal Services	17,507,187	634,734	0	18,141,921	624,193	0	18,131,380	36,273,301
Operating Expenses	5,580,843	365,471	0	5,946,314	436,856	0	6,017,699	11,964,013
Equipment	59,368	0	0	59,368	0	0	59,368	118,736
Grants	14,243,871	1,444,830	0	15,688,701	1,687,642	0	15,931,513	31,620,214
Benefits & Claims	141,358,984	27,716,858	6,027,084	175,102,926	37,545,935	4,493,268	183,398,187	358,501,113
Transfers	0	0	0	0	0	0	0	0
Debt Service	552	0	0	552	0	0	552	1,104
Total Costs	\$178,750,805	\$30,161,893	\$6,027,084	\$214,939,782	\$40,294,626	\$4,493,268	\$223,538,699	\$438,478,481
General Fund	22,929,286	382,863	366,373	23,678,522	442,666	283,916	23,655,868	47,334,390
State/Other Special	159,542	100,000	350,711	610,253	100,000	349,352	608,894	1,219,147
Federal Special	155,661,977	29,679,030	5,310,000	190,651,007	39,751,960	3,860,000	199,273,937	389,924,944
Total Funds	\$178,750,805	\$30,161,893	\$6,027,084	\$214,939,782	\$40,294,626	\$4,493,268	\$223,538,699	\$438,478,481

Program Description

The Human and Community Services Division (HCSD) consist of four bureaus each managing a group of programs. The Public Assistance Bureau administers Montana's Temporary Assistance to Needy Families (TANF) program and provides eligibility services for Medicaid and food stamps. The Early Childhood Services Bureau manages child care subsidy programs, contracts providing child care eligibility, provider recruitment, and technical assistance; administers the Child and Adult Care Food Program (CACFP) reimbursement to child care providers for the cost of meals served to eligible children and adults; and administers the head start state collaboration grant. The Intergovernmental Human Services Bureau (IHSB) administers a number of programs providing housing services, weatherization services, and energy and commodity assistance including: the Community Services block grant, Low-Income Energy Assistance Program (LIEAP), some Housing and Urban Development (HUD) grants, and United States Department of Agriculture (USDA) food distribution and commodities grants. This bureau also maintains a warehouse facility. The division fiscal bureau coordinates implementation and monitoring of the division's budget.

Figure 14 summarizes funding for the division by major function. Public assistance related programs including eligibility determination, TANF, and Food Stamp programs account for almost 74 percent of the funding provided to the division. Child care related services including child care subsidy programs and the CACFP account for about 16 percent of the division's funding, while energy and commodity assistance programs account for the remaining 10 percent.

Statutory authority is in Title 53, Chapter 2, MCA, and 45 CFR.

Figure 14

Human and Community Services Division
Summary of Major Program Functions with Funding

Function	Fiscal 2004 - Base Budget				Fiscal 2006 - Requested				Fiscal 2007 - Requested				Percent of Total
	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	General Fund	State Special	Federal	Total Funds	
Public Assistance:													
Administration - Division	\$137,135	\$0	\$531,786	\$668,921	\$166,277	\$0	\$564,902	\$731,179	\$166,065	\$0	\$565,483	\$731,548	0.3%
Administration - Public Assistance	683,730	533	591,617	1,275,880	808,683	533	685,716	1,494,932	807,698	533	685,335	1,493,566	0.7%
Administration - County	7,637,479	0	8,806,553	16,444,032	7,865,887	0	9,038,643	16,904,530	7,871,684	0	9,046,298	16,917,982	7.6%
TANF Cash Assistance	2,313,676	0	20,290,788	22,604,464	2,313,676	0	27,831,252	30,144,928	2,313,676	0	28,584,032	30,897,708	13.8%
TANF Employment, Training, Work	7,489,239	0	606,516	8,095,755	7,540,826	0	530,195	8,071,021	7,540,270	0	530,792	8,071,062	3.6%
TANF Supportive Services	580,021	0	0	580,021	580,021	0	0	580,021	580,021	0	0	580,021	0.3%
Refugee Programs	0	0	145,457	145,457	0	0	145,457	145,457	0	0	145,457	145,457	0.1%
Food Stamp Training & Support Serv	868,197	111,166	662,929	1,642,292	885,337	111,166	681,839	1,678,342	885,160	111,166	681,258	1,677,584	0.8%
Food Stamp Benefits	0	0	77,555,762	77,555,762	0	0	95,313,455	95,313,455	0	0	104,333,514	104,333,514	46.7%
TANF Phase IIR	160,000	0	319,723	479,723	160,000	0	319,723	479,723	160,000	0	319,723	479,723	0.2%
Subtotal Public Assistance	19,869,477	111,699	109,511,131	129,492,307	20,320,707	111,699	135,111,182	155,543,588	20,324,574	111,699	144,891,892	165,328,165	74.0%
Percent of Total	15.3%	0.1%	84.6%	100.0%	13.1%	0.1%	86.9%	100.0%	12.3%	0.1%	87.6%	100.0%	
Energy and Commodity Assistance:													
Administration - Energy and Commodities	\$24,333	\$0	\$4,445,848	\$4,470,181	\$25,954	\$0	\$4,934,459	\$4,960,413	\$25,780	\$0	\$4,984,748	\$5,010,528	2.2%
Benefits - Energy and Commodities	61,000	47,843	15,891,389	16,000,232	61,000	147,843	17,968,171	18,177,014	61,000	147,843	16,518,171	16,727,014	7.5%
Subtotal Energy and Commodity	85,333	47,843	20,337,237	20,470,413	86,954	147,843	22,902,630	23,137,427	86,780	147,843	21,502,919	21,737,542	9.7%
Percent of Total	0.4%	0.2%	99.3%	100.0%	0.4%	0.6%	99.0%	100.0%	0.4%	0.7%	98.9%	100.0%	
Early Childhood Services:													
Administration - Child Care	\$0	\$0	\$422,131	\$422,131	\$0	\$0	\$415,524	\$415,524	\$0	\$0	\$415,261	\$415,261	0.2%
Childcare Matching	1,645,427	-	5,241,053	6,886,480	1,941,706	350,711	4,162,804	6,455,221	1,915,465	349,352	4,162,804	6,427,621	2.9%
Childcare Mandatory	1,313,990	-	2,087,242	3,401,232	1,313,990	-	2,087,242	3,401,232	1,313,990	-	2,087,242	3,401,232	1.5%
Childcare Discretionary	-	-	6,912,652	6,912,652	-	-	13,869,496	13,869,496	-	-	13,869,393	13,869,393	6.2%
Quality - Child Care	-	-	1,942,285	1,942,285	-	-	1,942,285	1,942,285	-	-	1,942,285	1,942,285	0.9%
Head Start	15,059	-	152,498	167,557	15,165	-	152,442	167,607	15,059	-	152,543	167,602	0.1%
Child and Adult Care Food Program	0	0	9,055,748	9,055,748	0	0	10,007,402	10,007,402	0	0	10,249,598	10,249,598	4.6%
Subtotal Early Childhood Services	2,974,476	0	25,813,609	28,788,085	3,270,861	350,711	32,637,195	36,258,767	3,244,514	349,352	32,879,126	36,472,992	16.3%
Percent of Total	10.3%	0.0%	89.7%	100.0%	9.0%	1.0%	90.0%	100.0%	8.9%	1.0%	90.1%	100.0%	
Total Human and Community Services Div.	\$22,929,286	\$159,542	\$155,661,977	\$178,750,805	\$23,678,522	\$610,253	\$190,651,007	\$214,939,782	\$23,655,868	\$608,894	\$199,273,937	\$223,538,699	100.0%
Percent of Total	12.8%	0.1%	87.1%	100.0%	11.0%	0.3%	88.7%	100.0%	10.6%	0.3%	89.1%	100.0%	

Program Highlights

Human and Community Services Major Budget Highlights
<ul style="list-style-type: none"> • General fund support for the division increases 6 percent when the 2007 and 2005 biennia are compared, and total funding for the division increases 19 percent between the two biennia, primarily due to increases in general fund support for statewide present law adjustments and child care, and federal funds supporting food stamp benefits, child care, and TANF related programs • The requested budget includes use of a TANF reserve of about \$20 million to fund child care, incentive awards, work participation activities, and diversionary programs • The division requests that general fund support for TANF MOE not be reduced due to the implementation of tribal TANF plans and requests an increase in the general fund supporting TANF MOE • The department requests continuation of the diversion of a portion of the tobacco settlement proceeds to support child care • Food Stamp benefits, which are entirely federally funded, are expected to exceed \$100 million per year beginning in FY 2007 • A provider rate increase for child care providers that was not included in the 2005 biennium budget was effective in July, 2004
Major LFD Issues
<ul style="list-style-type: none"> • Federal TANF funds spending plans and reserves • Additional general fund TANF MOE support requested to fund transfers to tribes with Tribal TANF plans • TANF cash assistance caseload estimates • Use of TANF funds for child care • Some childcare costs are funded entirely from the general fund • Department requests continuation of the diversion of a portion of the tobacco settlement proceeds to support child care • Food Stamp caseload estimate • General fund used to support TANF cash assistance during the base year remains in the base, although the division has requested that TANF cash assistance costs be funded entirely with federal funds in the 2007 biennium

Program Narrative

Figure 15 summarizes by fund type the benefit and grant budget segments of the division. As illustrated in the figure, Food Stamp benefits, which are entirely federally funded, comprise almost 57 percent of the benefit budget for the division. TANF cash assistance (17 percent), child care (11 percent) and energy and commodity assistance (11 percent) are the next largest benefit programs administered by this division. The remaining four percent of the benefits budget supports TANF employment and training benefits.

Figure 15

Human and Community Services Division
Summary of Benefit and Grant Costs and Funding

Program	Fiscal 2004 Base				Fiscal 2006 Request				Fiscal 2007 Request				
	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	General Fund	State Spec. Rev	Federal Funds	Total Funds	Percent Total
Benefits & Claims													
TANF Cash Assistance	\$2,313,600	\$0	\$20,290,788	\$22,604,388	\$2,313,600	\$0	\$27,831,252	\$30,144,852	\$2,313,600	\$0	\$28,584,032	\$30,897,632	16.8%
TANF Employment, Training	6,862,734	0	555,780	7,418,514	6,978,861	0	490,683	7,469,544	6,978,311	0	491,233	7,469,544	4.1%
TANF Supportive Services	580,021	0	0	580,021	580,021	0	0	580,021	580,021	0	0	580,021	0.3%
Refugee Services	0	0	7,846	7,846	0	0	7,846	7,846	0	0	7,846	7,846	0.0%
Food Stamp Training/Support	321,839	41,209	245,746	608,794	321,839	41,209	255,746	618,794	321,839	41,209	255,746	618,794	0.3%
Food Stamps	0	0	77,555,762	77,555,762	0	0	95,313,455	95,313,455	0	0	104,333,514	104,333,514	56.9%
FAIM Phase IIR	67,775	0	135,434	203,209	67,775	0	135,434	203,209	67,775	0	135,434	203,209	0.1%
Energy and Commodities	77,141	43,250	18,384,883	18,505,274	78,591	133,623	20,699,839	20,912,053	77,696	132,367	19,251,990	19,462,053	10.6%
Childcare	2,959,417	0	10,915,760	13,875,177	3,255,696	350,711	16,246,745	19,853,152	3,229,455	349,352	16,246,767	19,825,574	10.8%
Total Benefits & Claims	<u>\$13,182,528</u>	<u>\$84,459</u>	<u>\$128,091,999</u>	<u>\$141,358,985</u>	<u>\$13,596,383</u>	<u>\$525,543</u>	<u>\$160,981,000</u>	<u>\$175,102,926</u>	<u>\$13,568,697</u>	<u>\$522,928</u>	<u>\$169,306,563</u>	<u>\$183,398,187</u>	<u>100.0%</u>
Grants													
Admin	\$4,418	\$0	\$17,133	\$21,551	\$4,901	\$0	\$16,650	\$21,551	\$4,892	\$0	\$16,659	\$21,551	0.1%
TANF Employment, Training				0				0				-	0.0%
Refugee	0	0	135,463	135,463	0	0	135,463	135,463	0	0	135,463	135,463	0.9%
Childcare	0	0	5,206,158	5,206,158	0	0	5,696,158	5,696,158	0	0	5,696,158	5,696,158	35.8%
Head Start	14,292	0	144,729	159,021	14,292	0	144,729	159,021	14,292	0	144,729	159,021	1.0%
Child and Adult Food Program	0	0	8,721,678	8,721,678	0	0	9,676,508	9,676,508	0	0	9,919,320	9,919,320	62.3%
Total Grants	<u>\$18,710</u>	<u>\$0</u>	<u>\$14,225,161</u>	<u>\$14,243,871</u>	<u>\$19,193</u>	<u>\$0</u>	<u>\$15,669,508</u>	<u>\$15,688,701</u>	<u>\$19,184</u>	<u>\$0</u>	<u>\$15,912,329</u>	<u>\$15,931,513</u>	<u>100.0%</u>

Three programs, the Child and Adult Care Food Program (61 percent), child care (35 percent), and the Head Start Collaboration Project (4 percent) account for the grant expenditures of the division.

Child care

The division administers child care programs, the majority of which are funded by the Child Care Development Fund (CCDF) block grant. Federal child care programs were revised and changed at the time welfare reform was passed by Congress. Among the TANF requirements is that states provide child care assistance to TANF families when the family is engaged in activities designed to assist the family in becoming self-sufficient. In addition to providing services to TANF families, child care programs also provide subsidies for low-income working families, and support licensing and registration of child care providers and activities related to assuring quality child care. Under child care block grant regulations, states are required to expend a minimum of four percent of the funding on child care quality activities.

The child care block grant consists of three streams of funds known as the mandatory, matching, and discretionary funding streams. The mandatory funding stream requires that states expend state and local funds at a minimum level known as the maintenance of effort (MOE) in order to receive the federal funds available through this funding stream. Montana's child care block grant MOE is \$1,313,990 per year. Child care block grant MOE is unique in that it is about the only instance where state spending may count toward two federal requirements. State funds spent for child care block grant MOE may also count toward TANF MOE.

Under the child care matching funding stream, states are reimbursed for eligible child care expenditures at the federal medical assistance participation (FMAP) rate and must provide state and local funds to match the federal funds. Montana's FMAP rate is about 70 percent and the state share of expenses under the matching funding stream is about 30 percent. The discretionary funding stream is entirely federally funded, and no state match is required in order for states to expend these funds. However, states must expend the mandatory funding stream before it may expend the discretionary funding. Additionally, states may transfer a portion of the TANF grant to the child care discretionary fund. Once transferred, TANF funds take on the spending attributes and restrictions of the fund they were transferred into.

LFD COMMENT

As illustrated in Figure 16, spending supporting child care related activities has exceed \$20 million each year in FY 2001 through 2004, and is projected to exceed \$26 million in FY 2005 through 2007.

While child care spending through the mandatory and matching funding streams have been relatively consistent (with the exception of a slight increase during the 2005 biennium due to carry-forward funds that were available), spending through the discretionary fund is more varied. This is caused primarily by the flexibility provided states to transfer a portion of the TANF grant to the child care block discretionary funding stream. Montana has utilized this flexibility to boost the level of child care funding available to TANF and low-income working families to avoid a waiting list for child care subsidies and with the goal of enabling families to continue working rather than receiving TANF cash assistance. The proposed budget maintains child care funding for the 2007 biennium by transferring TANF funds to child care.

This balancing act between child care and TANF emerged during the 2003 session when the legislature transferred \$3 million of TANF funds to child care to decrease the waiting list so that families could work rather than receive TANF cash assistance. Based upon the TANF caseload at that time, it was estimated that this transfer of funds equated to a potential reduction in the monthly cash assistance payment level of about \$25 per case per month

The following narrative discusses two issues related to child care that the legislature may wish to consider.

**LFD
COMMENT CONT.**

First, the combined general fund and state special revenue (from the diversion of tobacco settlement proceeds) requested by the executive exceeds the amount necessary to draw down the federal matching funds included in the budget request by \$747,226 for the biennium.

Thus, some child care costs will be funded entirely from general fund or state special revenue. The department states that this level of funding is needed to maintain child care funding at the requested level. The legislature may wish to consider:

- Whether or not it wishes to fund some child care entirely with general fund or state special revenue funds
- Reducing general fund and state special revenue funding for child care to the level required to draw down all available federal funds

Second, the department has indicated that federal discretionary funds included in the executive budget are overstated by \$864,764 in FY 2006 and \$945,979 in FY 2007. The legislature may wish to remove these federal funds from the requested budget.

Figure 16
Agency-wide Summary of Child Care Funding
by Funding Stream
Fiscal 2001 Through 2007

Description	Actual SFY 2001	Actual SFY 2002	Actual SFY 2003	Actual SFY 2004	Estimated SFY 2005	Requested SFY2006	Requested SFY 2007
General Fund:							
Maintenance of Effort	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990	\$1,313,990
Matching	1,557,335	1,531,499	1,634,445	1,645,427	637,872	1,941,706	1,915,465
Other (non HCSD)	119,128	112,662	75,962	93,143	93,143	93,143	93,143
Total General Fund	<u>2,990,453</u>	<u>2,958,151</u>	<u>3,024,397</u>	<u>3,052,560</u>	<u>2,045,005</u>	<u>3,348,839</u>	<u>3,322,598</u>
Annual Percent Change		-1.1%	2.2%	0.9%	-33.0%	63.8%	-0.8%
Non General Fund Match:							
State Spec. Revenue (PSF)			0	557,000	1,443,000	350,711	349,352
Other			13,099	11,250			
Federal Funds:							
Title XX, Social Services Blk Grant	46,000	46,000	46,000	46,000	36,908	46,000	46,000
CCDF Administrative (non HCSD)	125,923	151,442	160,935	573,550	573,550	573,550	573,550
CCDF Administrative (HCSD)	940,633	909,754	923,674	558,450	678,899	554,270	554,009
CCDF Mandatory	1,681,290	1,895,012	1,868,692	2,086,199	3,086,400	2,086,199	2,086,199
CCDF Match	3,763,051	3,657,824	4,242,370	5,241,053	6,196,101	4,162,804	4,162,804
CCDF Discretionary (non HCSD)	427,045	560,296	562,588	567,068	568,000	583,673	583,673
CCDF Discretionary	<u>12,968,755</u>	<u>17,715,968</u>	<u>13,219,262</u>	<u>8,826,112</u>	<u>12,056,711</u>	<u>15,627,389</u>	<u>15,627,276</u>
Total Federal Funds	<u>19,952,697</u>	<u>24,936,296</u>	<u>21,023,521</u>	<u>17,898,432</u>	<u>23,196,569</u>	<u>23,633,885</u>	<u>23,633,511</u>
Total Expenditures	<u>\$22,943,150</u>	<u>\$27,894,447</u>	<u>\$24,061,017</u>	<u>\$21,519,242</u>	<u>\$26,684,574</u>	<u>\$27,333,435</u>	<u>\$27,305,461</u>
Percent Change		21.6%	-13.7%	-10.6%	24.0%	2.4%	-0.1%
Compound Rate of Change		21.6%	2.4%	-2.1%	3.8%	3.6%	2.9%
Calculation of State Funds Needed for Match							
State General Fund and Special Revenue Available to be Matched						\$2,292,417	\$2,264,817
Federal Matching Funds Available						<u>4,162,804</u>	<u>4,162,804</u>
Total Matching Stream						<u>\$6,455,221</u>	<u>\$6,427,621</u>
State Match as Percent of Total Per Executive Budget						35.51%	35.24%
State Match Required (percentage)						29.24%	29.91%
Funds Required to Fully Match Available Federal Matching Funds						\$1,887,507	\$1,922,501
State Match Funding (Over)/Under Federal Requirements						(\$404,910)	(\$342,316)

Although the 2005 biennium budget approved by the legislature did not include provision of a provider rate increase, the department granted a rate increase to child care providers that was effective in July, 2004. Department staff indicated the estimated rate increase was 12 percent above the FY 2004 level, and that rates had not been increased in the past four years. Federal child care regulations require that states demonstrate equal access to child care services exist for recipients of child care subsidies, and state use of a periodic market survey and establishment of rates at or above the 75th percentile of the market survey, to measure compliance with this requirement.

*Temporary Assistance for Needy Families (TANF)***Background**

One of the largest programs administered by the division is the TANF program. The TANF block grant program was created in 1996 by federal legislation commonly known as “welfare reform”. Under welfare reform legislation, TANF replaced the program formerly known as Aid to Families with Dependent Children (AFDC).

Requirements

Under TANF states are eligible to receive a set amount of federal funding as a block grant. These funds may not be drawn from the federal government until they are expended. In order for a state to receive a TANF block grant, the state must continue to spend state and local funds at a level commonly referred to as the maintenance of effort (MOE). States must maintain a MOE of at least 80 percent of the historical level of effort (as determined under federal regulation) and may reduce their MOE to 75 percent of the historical level if work participation rates are met. States must also meet other federal requirements such as fulfilling data reporting requirements, limiting beneficiaries to a maximum of 60 months of assistance in their lifetime, and beneficiary assignment of child support to the state. Additionally, states must maintain a child support enforcement program that meets the requirements of Title IV-D of the Social Security Act in order to be eligible for federal TANF funds.

Allowable Uses

TANF funds must be expended to achieve one of four purposes of the program as specified in federal law: 1) to provide assistance to needy families; 2) to end dependency of needy parents by promoting job preparation, work, and marriage; 3) to prevent and reduce out of wedlock pregnancies; or 4) to encourage the formation and maintenance of two-parent families.

TANF funds may be transferred to the child care block grant and/or the Title XX, Social Services Block Grant. The total funds transferred from the TANF grant may not exceed 30 percent of the grant award. Montana has historically transferred a large amount of TANF funds to the child care block grant for child care and some funds to Title XX for use in the foster care and/or developmental disabilities programs. In addition to the use of TANF funds transferred to Title XX for foster care, some TANF funds are also used for protective service programs. Prior to the implementation of the TANF block grant, some state child welfare expenditures were eligible for reimbursement under the former AFDC program. These expenditures became part of the historical level of expenditures that were used as a basis for calculating the amount of the state’s block grant. The use of TANF funds for child welfare continues to be an allowable use of TANF funds if the state had this use included in its approved state plan under the prior AFDC program.

Expenditure of Federal TANF Grant

Figure 17 summarizes the TANF grant and grant expenditures for FY 2004 through 2009. The federal grant award varies somewhat from year to year depending upon whether or not the state is awarded a performance bonus, any new tribal TANF plans are implemented, or any previous Tribal TANF plans are adjusted. Tribal TANF plans and their impact on the TANF grant to the state and the state’s MOE are discussed in a later section of this narrative.

Figure 17
Summary of Temporary Assistance for Needy Families (TANF) Grant
Fiscal 2004 Through 2009

Description	Actual SFY 2004	Dept. Est. SFY 2005	Requested SFY2006	Requested SFY 2007	Projected SFY 2008	Projected SFY 2009
Beginning Balance	\$7,037,060	\$19,688,676	\$23,563,483	\$15,771,568	\$7,307,626	(\$1,156,316)
Grant Award	48,020,033	41,805,364	42,228,001	42,228,001	42,228,001	42,228,001
Expenditures:						
Cash Assistance*	20,290,788	21,721,072	23,981,252	24,734,032	24,734,032	24,734,032
FAIM Phase IIR						
New Spending Proposals	0	1,897,787	3,850,000	3,850,000	3,850,000	3,850,000
Administrative and Other Costs	6,765,172	6,056,780	6,188,851	6,189,448	6,189,448	6,189,448
Child Support Enforcement	0	0	0	0	0	0
Foster Care	4,314,231	4,017,119	4,314,231	4,314,231	4,314,231	4,314,231
Total Expenditures	<u>\$31,370,191</u>	<u>\$33,692,758</u>	<u>\$38,334,334</u>	<u>\$39,087,711</u>	<u>\$39,087,711</u>	<u>\$39,087,711</u>
Transfers:						
Title XX, Soc Svc. Block Grant	\$1,998,226	\$1,998,226	\$1,998,226	\$1,998,226	\$1,998,226	\$1,998,226
Childcare Discretionary Fund	<u>2,000,000</u>	<u>2,239,573</u>	<u>9,687,356</u>	<u>9,606,006</u>	<u>9,606,006</u>	<u>9,606,006</u>
Total Transfers	<u>3,998,226</u>	<u>4,237,799</u>	<u>11,685,582</u>	<u>11,604,232</u>	<u>11,604,232</u>	<u>11,604,232</u>
Ending Balance	<u>\$19,688,676</u>	<u>\$23,563,483</u>	<u>\$15,771,568</u>	<u>\$7,307,626</u>	<u>(\$1,156,316)</u>	<u>(\$9,620,258)</u>
Maximum Transfer:						
30% combined Title XX & CCDF	\$14,406,010	\$12,541,609	\$12,668,400	\$12,668,400	\$12,668,400	\$12,668,400

***Notes:**

Cash assistance costs reported here may not be total cash assistance costs since general fund may also be used to pay a portion of these costs.

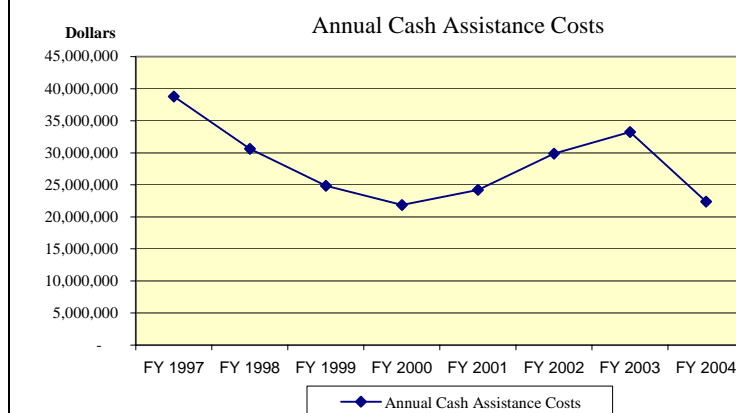
Data sources include MBARS, SBAHRS link system and DPHHS worksheets

Total cash assistance costs are illustrated in Figure 18. Cash assistance costs comprise the single largest use of the TANF grant since welfare reform, and expenditures for this purpose have ranged from \$20 million in FY 2003, consuming more than 50 percent of the annual grant award. During FY 2004 total cash assistance costs were \$22.6 million, with about \$2.3 million being funded from the general fund rather than federal funds. During the 2003 legislative session the department expressed concern that the level of cash assistance expenditures were increasing, the demand for federal TANF funds would exceed the availability, and this level of expenditure was not sustainable within the federal grant. The department informed the legislature that it was contemplating a reduction in the monthly cash assistance payment to families. This situation contrasted greatly with the 2001 session, when more than \$20 million in TANF carry-over funds (reserves) remained unexpended. The legislature included the following language in the fiscal report for the 2003 biennium to guide the department in its consideration of a cash assistance payment reduction:

“When TANF benefit expenditure projections exceed a sustainable level for the 12-month period, benefits may be reduced to a level that would maintain solvency of the block grant. The trigger and process for benefit reduction is as follows:

- 1) An average monthly TANF expenditure amount will be calculated based on three consecutive months beginning July 1, 2003 of benefit expenditures and benefits will not be reduced prior to December 2003. This average will be projected over a 12-month period and if the projection exceeds the budgeted amount available for benefits, then;

Figure 18



- 2) The department will certify to the Office of Budget and Program Planning that benefit expenditures are projected to exceed the available grant.
- 3) The new benefit level will be set by using an average of actual benefit expenditures over a period of time that captures seasonal variations in the amount of benefits needed.
- 4) If during this biennium benefit levels are reduced under the circumstances above, this process and benefit levels will be revisited during the next legislative session."

The department adopted changes in the Administrative Rules of Montana (ARM) and reduced the benefit level and monthly cash assistance payment levels effective August 1, 2003. In general, during FY 2004 the cash assistance caseload continued to decline. As expenditures for cash assistance benefits decreased, TANF carry-forward funds (reserves) increased and the department ended FY 2004 with approximately \$20 million in TANF reserves. The 2003 Legislature was concerned that the projected cash assistance costs might not be realized and included the following language in HB 2:

Item 1 includes \$31,769,235 of federal funds in FY 2004 and \$31,769,235 of federal funds in FY 2005 to fund cash assistance benefits provided under Montana's temporary assistance for needy families (TANF) grant. If caseloads decrease below this level of funding, resulting in a surplus of federal TANF funds, the following priorities may be funded:

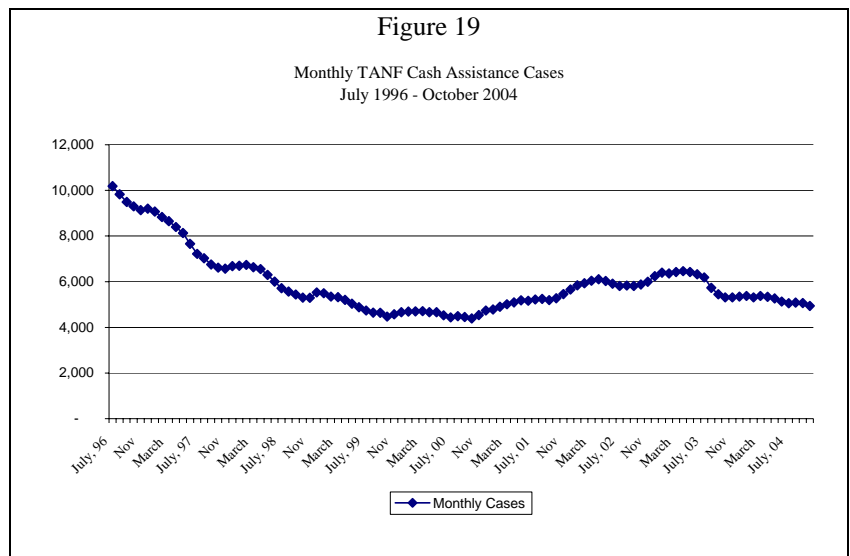
- (1) child-care subsidies;
- (2) a "rainy day" fund of up to \$4 million;
- (3) training and education programs to achieve employment in higher wage jobs, including programs offered by tribal colleges; or
- (4) supportive services needed for employment of TANF recipients.

LFD COMMENT

During the current biennium, the department plans to utilize a portion of the carry-over funds for childcare and to maintain a "rainy day" fund of \$4 million. However, it does not appear that the department funded any additional training and education programs or supportive services during the current biennium.

Cash Assistance Caseload Projection

Figure 19 provides a visual illustration of the monthly TANF cash assistance caseload from July 1996, the first year of welfare reform, through September 2004. As the graph illustrates, the trend in cash assistance caseloads was a decrease from July 1996 until October 2000, at which time the caseload began to increase. In response to this increasing trend and concern regarding the adequacy and sustainability of funding for these costs within the federal TANF grant, the department implemented a reduction in the monthly cash assistance payment and related benefit level used to determine eligibility for the program. Additionally, the department discontinued the historical practice of passing inflationary increases in the federal poverty level through to the cash assistance payment and benefit levels. Cash assistance payment and benefit levels are currently based upon the 2002 federal poverty level index.



Since the department implemented the reduction in cash assistance payment and benefit levels, the caseload has been declining, decreasing from 6,185 cases in July 2003 prior to the benefit reduction to 5,731 in August 2003, the first month of reduced benefits. The cash assistance caseload has continued to decrease, reaching a low of 4,937 in October 2004. While the caseload has not returned to its previous low of 4,390 (October 2000), it does seem to be on a decreasing trend at this time.

The implementation of significant policy changes has made cash assistance caseloads more difficult to project. While seasonal peaks and valleys continue to occur, how high and low they will be is more difficult to predict. Policy decisions, some of which have been delegated via statute to the department, may be changed through the administrative rule process and change the trend of caseload cost and volume. Policy changes, such as the reduction in payment and benefits levels and discontinuation of the pass-through of inflationary adjustments, were implemented by the department and change the nature of caseload trends. The department is estimating that the cash assistance caseload will increase 3 percent each year between FY 2004 and 2007.

LFD ISSUE

This projected increase contradicts current experience, which is a decline in caseload and costs. Additionally, the fact that the benefit level is no longer increased as inflationary adjustments in the federal poverty level index occurs should result in fewer households becoming eligible, since increases in wages and other income sources due to inflationary adjustments will likely result in households losing eligibility. It is difficult to predict how other factors such as economic conditions, the availability of employment, the barriers or skills possessed by recipients, and the availability or lack of child care subsidies impact cash assistance eligibility and caseloads. While 3 percent per year is a relatively small caseload increase, it would seem that current conditions and current department policies are such that the realization of this level of caseload increase may be questionable.

In the event economic conditions and employment opportunities are favorable, child care subsidies are available, and current department policies remain in place, the potential for continued decline in the cash assistance caseload might be more likely than an increase, or that the rate of increase may be less than 3 percent per year. However, the potential downside of an increase in caseload that exceeds projections may be highly undesirable depending upon legislative policies and priorities related to:

- Maintenance of a TANF reserve verses usage of projected unspent TANF funds
- Funding of child care assistance
- Maintenance of TANF and child care spending within the federal grant or use of general fund to provide added support to TANF and child care related programs.

The level of funding the legislature may wish to appropriate for cash assistance could vary greatly depending upon what policies are implemented with regard to the items above. For example,

- In the event that the legislature wishes to maintain a limited amount of TANF funds in reserve, it may wish to provide more funding for cash assistance benefits so that an unanticipated increase in costs does not result in additional reductions in the monthly payment and benefit level
- In the event a large reserve of TANF funds is maintained, the legislature may wish to appropriate less for cash assistance benefits and rely on the available reserve to fund any unanticipated increase in cash assistance costs

Additionally, as illustrated in the Figure 17, if the assumption is made that the amount of the federal grant and expenditures of the grant remain the same in FY 2008 and 2009 as are included in the requested budget for FY 2007, a negative ending balance in the federal TANF grant would occur in FY 2008. The ending balance of federal TANF funds becomes negative because the combined total of annual expenditures and transfers (to the child care block grant and Title XX) exceed the amount of the annual grant award. Thus, the legislature must determine how it wishes to approach the potential sustainability of TANF expenditures into future biennia. The legislature may wish to:

- Prioritize TANF spending, considering only the 2007 biennium, since the future is unpredictable and circumstances are likely to change prior to the 2009 and future biennia
- Prioritize TANF spending with consideration given to future biennia usage and spending demands upon the federal TANF grant

In summary, there are several inter-related policy issues for the legislature to consider when prioritizing and planning for expenditure of federal TANF funds. These policy issues include:

- What if any level of TANF reserves (or carry-over) funds does the legislature wish to maintain?
- What level of TANF cash assistance costs does the legislature wish to budget?
- How does the legislature wish to balance competing priorities, such as cash assistance verses child care, for expenditure of the federal TANF funds?
- Does the legislature wish to consider longer-term sustainability of expenditures within the federal TANF funding level currently available or only the 2007 biennium?

Tribal TANF Plans

Under federal regulations, any federally recognized tribe that wishes to operate its own Tribal TANF plan may seek and receive federal approval to do so. In the event that a tribe or tribes opts to operate a Tribal TANF plan, the state's federal TANF grant and required MOE level are reduced by the proportional amount equal to the grant awarded to the tribe or tribes. Figure 20 illustrates the reduction in federal TANF funds and general fund MOE due to changes in Tribal TANF plans.

Prior to the 2005 biennium, Montana's federal TANF grant and state MOE requirement were reduced when the Confederated Salish and Kootenai Tribes (3.5 percent) and Fort Belknap Indian Community (2.1 percent) obtained federal approval to operate Tribal TANF plans. During the 2005 biennium, Montana's federal TANF grant and MOE level were once again adjusted downward due to implementation of a Tribal TANF plan by the Chippewa Cree Tribe of the Rocky Boys (2.8 percent) and because calculation of the funds associated with the two Tribal TANF plans implemented prior to the 2005 biennium were revised (from 3.5 and 2.1 percent to 4.7 and 2.2 percent, Salish Kootenai and Fort Belknap Indian Community, respectively).

Additionally, the Blackfeet Tribe is in the process of developing and applying for a tribal TANF plan. The department estimates that the TANF grant and MOE will be reduced by an additional 6.8 percent in FY 2005 if the Blackfeet Tribe implements a tribal TANF plan. As illustrated in Figure 20, Montana's federal TANF grant and state MOE have been reduced by 9.7 percent due to the implementation of Tribal TANF plans. In the event that the Blackfeet Tribe implements a Tribal TANF plan, this reduction is estimated to increase to a total of 16.5 percent.

Figure 20
Human and Community Services Division
Impact of Tribal TANF Plans on Federal Grant and MOE Requirements*

Description	Federal FY1999	Federal FY2000	Federal FY2001	Federal FY2002	Federal FY2003	Federal FY2004	Federal Revised FY2004	Federal Revised FY2005	Fed FY 2005 Including Blackfeet*
Summary of Federal Grant Award									
Original State Grant	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006	\$45,534,006
Salish Kootenai Grant	(1,199,418)	(1,599,224)	(1,599,224)	(1,599,224)	(1,599,224)	(1,599,224)	(1,869,580)	(2,139,935)	(2,139,915)
Fort Belknap Indian Community Grant	0	0	(958,012)	(958,012)	(958,012)	(958,012)	(982,257)	(1,006,502)	(1,006,502)
Chippewa Cree Rocky Boy Grant	0	0	0	0	0	0	0	(1,292,289)	(1,258,657)
Blackfeet Tribe Grant (see notes)	0	0	0	0	0	0	0	0	(3,089,816)
State Grant Award After Tribal Plans	44,334,588	43,934,782	42,976,770	42,976,770	42,976,770	42,976,770	42,682,170	41,095,280	38,039,116
Tribal TANF Grants Percentage of Original State Grant									
Salish Kootenai Grant	-2.6%	-3.5%	-3.5%	-3.5%	-3.5%	-3.5%	-4.1%	-4.7%	-4.7%
Fort Belknap Indian Community Grant	0.0%	0.0%	-2.1%	-2.1%	-2.1%	-2.1%	-2.2%	-2.2%	-2.2%
Chippewa Cree Rocky Boy Grant	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-2.8%	-2.8%
Blackfeet Tribe Grant (see notes)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-6.8%
Total Percentage Reduction in State Grant	-2.6%	-3.5%	-5.6%	-5.6%	-5.6%	-5.6%	-6.3%	-9.7%	-16.5%
Summary of Maintenance of Effort (MOE)									
at 100 percent of Historical State Expenditures	20,954,588	20,954,588	20,954,588	20,954,588	20,954,588	20,954,588	20,954,588	20,954,588	20,954,588
Salish Kootenai	(551,968)	(735,957)	(735,957)	(735,957)	(735,957)	(735,957)	(860,374)	(984,790)	(984,781)
Fort Belknap Indian Community	0	0	(440,874)	(440,874)	(440,874)	(440,874)	(452,031)	(463,189)	(463,189)
Chippewa Cree Rocky Boy	0	0	0	0	0	0	0	(594,707)	(579,229)
Blackfeet Tribe (see notes)	0	0	0	0	0	0	0	0	(1,421,922)
100 % MOE after Reductions for Tribal TANF Plans	\$20,402,620	\$20,218,631	\$19,777,757	\$19,777,757	\$19,777,757	\$19,777,757	\$19,642,183	\$18,911,902	\$17,505,466
Required MOE at 80% of Historical Expenditures	16,322,096	16,174,905	15,822,206	15,822,206	15,822,206	15,822,206	15,713,746	15,129,522	14,004,373
Required MOE at 77% of Historical Expenditures	15,710,017	15,568,346	15,228,873	15,228,873	15,228,873	15,228,873	15,124,481	14,562,165	13,479,209
Required MOE at 75% of Historical Expenditures	15,301,965	15,163,973	14,833,318	14,833,318	14,833,318	14,833,318	14,731,637	14,183,927	13,129,100

*Notes:

Data provided by HCSD, DPHHS

Blackfeet Tribe is considering implementing a Tribal TANF plan. If and when this will occur is currently uncertain.

**LFD
ISSUE**

While the state TANF MOE requirement is decreasing due to the implementation of Tribal TANF plans, the executive budget requests additional general fund support (\$51,031 annually) for TANF MOE. This request for additional TANF MOE funding, applicable statutory provisions, and legislative options related to the requested increase are discussed below.

As illustrated in Figure 21 for the 2007 biennium, the reduction in the general fund MOE that Montana must spend is \$649,391 annually (not including the reduction due to the Blackfeet Tribal TANF plan, if implemented). While provision of the federal funds to the tribe is required under federal law, there is no such federal requirement for state MOE funds. However, the legislature has provided statutory guidance on this issue. 53-4-210(3) MCA states:

If a Montana Indian tribe or combination of tribes receives approval to implement a tribal family assistance plan and chooses to base their share of the federal temporary assistance for needy families block grant on the same federal FY 1994 service population as they plan to serve under the tribal family assistance plan, the legislature shall continue to provide the Indian tribe or combination of tribes with a proportionate state share of cash assistance benefits based on the maintenance of effort level established by the legislature for that biennium or the maintenance of effort level set in statute.

And 53-4-210(7) states:

The department shall transfer to each new tribal family assistance plan after April 28, 1999, \$100,000 of general fund money from existing general fund appropriation authority for each of the fiscal years of the succeeding biennium for the use of each tribe implementing a family assistance plan.

Because the general fund provided to a tribe or tribes may be structured and expended in a manner that allows it to be counted toward the state MOE, the legislature has historically reduced the general fund support for the division by an amount equal to the reduction in the state MOE requirement and required the department to comply with the statutory provision governing pass-through of a portion of the general fund MOE to a tribe or tribes. In essence, the implementation of Tribal TANF plans has allowed a portion of the state general fund expenditures to do “double duty” by providing a reduction in the overall general fund expenditure level and counting general fund provided to the tribes as state MOE.

Historically, the division has objected to this action by the legislature because:

- 1) General fund support for programs operated by the division is reduced in essence twice, once through a reduction in the general fund appropriated to the division, and again through the statutory requirement that a portion of the remaining general fund appropriation be provided to the tribe(s)
- 2) The division is concerned that the implementation and reduction in general fund MOE appropriations multiple times erodes the level of funding available to serve tribal and non tribal recipients of the state’s TANF plan
- 3) The complexity and difficulty of program administration is increased
- 4) The current statutory requirements governing the provision of this funding to the tribes does not appear to allow the department to withhold this funding if the tribe does not agree to expend the funds in a manner than “counts” as TANF MOE

Figure 21

Summary of TANF MOE Funding Request*
Decision Package (DP) 69

Description	Amount
FY 2004 TANF MOE*	\$14,833,318
Annual Reduction Due to Tribal TANF Plans	
Recalculation of Salish Kootenai	(186,625)
Recalculation of Fort Belknap Comm.	(16,736)
New Plan - Chippewa Cree, Rocky Boy	(446,030)
Total Reduction in State MOE Requirements	(649,391)
Revised State MOE Requirement	<u>\$14,183,927</u>
Payments to Tribes Required Per State Statute:	
Fort Belknap Community	256,156
Chippewa Cree, Rocky Boy	<u>\$444,266</u>
Total Required Payments to Tribes	<u>\$700,422</u>
Additional General Fund Requested in Executive Budget	<u>\$51,031</u>

***Notes:**

Information contained in this figure was provided by DPHHS. Currently, TANF MOE is budgeted at 75 percent of the historical cost level. This is the minimum level allowable under federal regulations. States must meet TANF work participation requirements in order to reduce MOE to the 75 percent level.

States are required to meet the MOE spending level on a federal fiscal year basis and in Montana the executive has chosen to meet the MOE spending level on a state fiscal year basis.

**LFD
ISSUE CONT.**

The executive budget requests \$51,031 general fund each year of the biennium to fund the difference between the reduction in the required MOE level (\$649,391) and the estimated payments due to the tribes. In other words, the division requests: 1) that the MOE level not be reduced due to the implementation of tribal TANF plans; and 2) that funds be appropriated to the division to fund the statutory requirements of 53-4-210 MCA. A portion of this funding request directly conflicts with the requirements of 53-4-210(7), MCA which states “of general fund money from existing appropriations”. Clearly the legislature did not plan for additional general fund to be appropriated in order for the division to meet the statutory requirement of 53-4-210(7), MCA. There are three distinct decisions for the legislature to make:

- 1) Does the legislature wish to reduce the general fund appropriated to the division for MOE, since the federally required level of MOE has been reduced?
- 2) Does the legislature wish to provide an appropriation to the division for the purposes specified in 53-4-210(3) MCA?
- 3) Does the legislature wish to provide an appropriation to the division for the purposes specified in 53-4-210(7) MCA?

In addition to requesting funding in HB 2, the department requested legislation (LC0283) changing the statutory provisions of 53-4-210 MCA. If passed and approved, LC0283 would require the department to provide the funding specified in 53-4-210 MCA to a tribe or tribes, only if an appropriation for the specific purpose of that statutory provision was provided by the legislature. Thus, provision of general fund support would become optional and be required only if the legislature specifically appropriated funds for that purpose.

TANF Reauthorization

The original authorization of the TANF block grant by Congress expired September 30, 2002. Reauthorization of the TANF grant has been pending in Congress for some time. Currently, the block grant has been continued as it exists through March, 2005. Congress will probably take up reauthorization of the block grant when it reconvenes. While the various bills introduced to reauthorize TANF vary significantly, they do contain some common threads. Most versions of TANF reauthorization include:

- Increased hours of work participation for recipients
- Increased levels (percentages of caseload) that must be participating in work activities
- A narrowing of the definition of activities that meet the federal definition of work, including limits on the number of hours of job search activities that may be counted, and months of training activities and chemical dependency treatment that may be counted

Montana will be challenged to find more jobs, for more hours per week, with less flexibility in the definition of activities that fulfill the federal definition of work. For example, there will be a limit on the number of hours of job search, education, and training that may be counted toward the federal requirements. Additionally, time spent in substance abuse and treatment programs that counts as work hours may be limited in duration and frequency. Recipients will be required to spend more hours per week in work activities and a larger percentage of the caseload will be required to participate in work activities. Compliance with work participation rates is important because if a state is in compliance, the percentage of historical expenditures that must be spent as MOE can be reduced to 75 percent, which Montana has done. If work participation rates are not met, maintenance of effort must be expended equal to 80 percent of the historical expenditure level, an increase of about \$1 million annually for Montana.

Federal changes in the TANF program are anticipated to impact the provision of childcare. The state will likely find it difficult to supply adequate childcare to families subject to the TANF work requirements, and the programmatic requirements of the TANF grant will be more difficult to fulfill. At this time it is unclear how much, if any, additional federal funds will be made available to states to assist with the impact new regulations will have on the demand for childcare services. It appears that Congress may authorize TANF appropriations at the same level as prior years and that no increase in the grant will be provided. The TANF grant remains at the same level as that authorized in the 1996 welfare reform legislation.

In 2000 and 2001 as reauthorization approached there was indication that states might not be allowed to continue to carry-forward unexpended TANF funds. Recent news has contained no indications or discussions regarding discontinuing the practice of allowing states to carry forward unexpended TANF funds.

Food Stamp Benefits

Food Stamp benefit costs, which are entirely federally funded, are summarized in Figure 22. The department estimates that annual food stamp benefit costs will exceed \$100 million beginning in FY 2007. The growth in Food Stamp benefit costs has been quite dramatic since FY 2002, rising from \$56 million per year to over \$100 million per year in just 5 years. In FY 2002 electronic benefit transfer (EBT) of these benefits was implemented and food stamps became a budgeted expenditure. Previous to FY 2002 food stamp benefits were issued using a coupon and, because the funds did not flow through the state treasury, they were not a budgeted item.

The department attributes the increase in food stamp benefits to several factors including: 1) decreased stigma associated with receipt of the benefits since benefits are now distributed via a debit/credit type card rather than in coupon form; and 2) changes in the federal laws governing food stamps that made income reporting less cumbersome and frequent, allowed the provision of benefits to illegal aliens, and now disregards any vehicles owned by the family in determining eligibility for benefits. Additionally, there is great federal emphasis on outreach activities. It has been estimated that only about 58 or 59 percent of the households in Montana that are eligible for food stamps receive them. This figure is consistent with national statistics. The federal agency administering the food stamp program (USDA) is interested in utilizing outreach efforts to increase the number of eligible households receiving food stamp benefits.

Figure 22
Summary of Historic and Estimated Food Stamp Benefit Costs

Description	<-----Actual----->						Estimated	Requested	Requested
	FY 1999	FY 2000	FY 2001	FY 2002*	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Ave. Monthly No. Households	25,279	25,267	26,070	27,205	29,092	32,544	36,450	39,914	43,691
Ave. Monthly No. Recipients	61,071	59,660	61,051	63,766	68,779	76,536	87,479	95,792	104,858
Ave. No. Recipients per Household	2.4	2.4	2.3	2.3	2.4	2.4	2.4	2.4	2.4
Benefit Costs	\$52,357,325	\$51,652,161	\$53,392,372	\$56,444,876	\$64,402,059	\$77,555,762	\$87,041,796	\$95,313,455	\$104,333,514
Annual Percent Change		-1.3%	3.4%	5.7%	14.1%	20.4%	12.2%	9.5%	9.5%
Compounded Rate of Change		-1.3%	1.0%	2.5%	5.3%	8.2%	8.8%	8.9%	9.0%
Ave. Monthly Value Per Household	\$173	\$170	\$171	\$173	\$184	\$199	\$199	\$199	\$199

*Notes

Data sources include MBARS, SABHRS link, DPHHS statistical reports

Electronic Benefit Transfer (EBT) of Food Stamp benefits was implemented during this year.

**LFD
ISSUE**

The department has estimated that food stamp benefit costs will increase 9.5 percent per year each year of the 2005 biennium. Given that these costs have recently increased by double-digit percentages and the average annual rate of increase between FY 1999 and 2004 has been slightly more than 8 percent, this projected increase appears consistent with longer-term historical trends, but potentially understated when more recent trends are considered.

Medicaid Offset

On a nationwide basis, the federal budget proposes reducing federal reimbursement for Medicaid administrative costs by \$300 million. This is the amount of costs that were assumed in the TANF grant when it was calculated, and which has also been reimbursed under the federal Medicaid program. The proposed federal budget would discontinue the allowance of these costs under the Medicaid program and prohibit states from using TANF funds to pay these costs. Montana's share of the \$300 million nationwide reduction is a \$646,000 annual reduction in reimbursement for administrative costs of the Medicaid program. The budget as submitted by the department to the Office of Budget and Program Planning included a request for \$1,292,000 general fund for the biennium to fund an item referred to as "the Medicaid offset" for this item. However, the executive did not including funding for this item in the budget request. The executive budget request does include language that indicates that modification of the budget may be necessary, pending federal action on this issue.

**LFD
ISSUE**

In that event that the proposed federal budget becomes law with this adjustment included, the department will be required to repay \$1,292,000 during the 2007 biennium. If an appropriation for this purpose is not provided to the division, the general fund to repay this amount would come from other general fund appropriations within the department. The department has not determined what actions would be taken to make general fund available for this purpose. It is possible that general fund reductions would be necessary in other areas of the division and/or department. Given that the bulk of the general fund support for this division supports TANF MOE, child care block grant MOE, and is used as match to draw down federal funds, it may be difficult for the division to "free-up" this amount of general fund while still meeting mandated requirements. Thus, it might be necessary for the department to "free-up" a portion of this funding through reductions in other divisions and programs. Additionally, reductions made may be greater in total than \$1,292,000 due to the loss of federal matching funds.

If the legislature provides an appropriation to the division for this purpose, it may wish to restrict any appropriation made for this purpose only. If the appropriation is restricted in use, the funds would revert to the general fund if they are not expended for this specific purpose.

Funding

The following table shows program funding, by source, for the base year and for the 2007 biennium as recommended by the executive.

The HCSD is supported primarily by federal funds. Federal funds comprise 89 percent of the division's funding. General fund provides 11 percent of the division's funding, while state special revenues account for less than half of one percent of the division's funding. The general fund supporting this division is utilized to:

- Achieve TANF MOE spending requirements
- Achieve child care block grant MOE spending requirements
- Match federal programs such as Medicaid and food stamp eligibility determination, and child care benefits

Program Funding Table						
Human And Community Serv						
Program Funding	Base FY 2004	% of Base FY 2004	Budget FY 2006	% of Budget FY 2006	Budget FY 2007	% of Budget FY 2007
01100 General Fund	\$ 22,929,286	12.8%	\$ 23,678,522	11.0%	\$ 23,655,868	10.6%
02375 6901-02 Indrct Activity Prog 02	533	0.0%	533	0.0%	533	0.0%
02698 69010-Prevention&Stabilization	-	-	350,711	0.2%	349,352	0.2%
02931 Food Stamp Recoupment Account	111,166	0.1%	111,166	0.1%	111,166	0.0%
02974 Univ Low-Income Energy Assist	47,843	0.0%	147,843	0.1%	147,843	0.1%
03066 81.042 Bpa	222,578	0.1%	376,089	0.2%	381,272	0.2%
03096 Discretionary Child Care	8,809,980	4.9%	15,766,824	7.3%	15,766,711	7.1%
03109 Tanf Benefits	21,217,027	11.9%	28,681,170	13.3%	29,434,547	13.2%
03204 Energy Conservation: Exxon	-	-	450,000	0.2%	-	-
03208 Abstinence Education Blk Grant	211,773	0.1%	211,773	0.1%	211,773	0.1%
03236 Child Nutrition	8,673,838	4.9%	9,510,039	4.4%	9,747,235	4.4%
03250 Child Care Manditory/Moe	2,086,199	1.2%	2,086,199	1.0%	2,086,199	0.9%
03251 Child Care Admin	422,131	0.2%	414,758	0.2%	414,497	0.2%
03252 Child Care Matching	5,241,053	2.9%	4,162,804	1.9%	4,162,804	1.9%
03323 Energy Conservation: Stripper	-	-	1,000,000	0.5%	-	-
03382 03 Indirect Activity Prog 02	9,605,847	5.4%	9,950,221	4.6%	9,957,893	4.5%
03519 93.045 - Aging Meals 100%	28,130	0.0%	36,324	0.0%	36,150	0.0%
03523 93.566 - Refugee Soc. Serv	79,631	0.0%	79,631	0.0%	79,631	0.0%
03539 93.600 Headstart	152,498	0.1%	152,442	0.1%	152,543	0.1%
03543 6901-Foodstamp Outreach 10.561	1,060	0.0%	11,060	0.0%	11,060	0.0%
03544 10.561 - Fs E & T - 50%	167,589	0.1%	167,589	0.1%	167,589	0.1%
03545 10.561 - Fs E & T - 100%	341,515	0.2%	341,515	0.2%	341,515	0.2%
03546 10.561 - Fs Adm - Fed Exp 50%	152,765	0.1%	161,675	0.1%	161,094	0.1%
03547 10.568 - Emerg Food Assist 100	168,361	0.1%	184,323	0.1%	183,487	0.1%
03548 10.569 - Food Distr - Fed Exp	1,619,917	0.9%	1,829,626	0.9%	1,827,877	0.8%
03550 14.231 - Emerg Shelter - Hud 5	357,718	0.2%	388,843	0.2%	388,843	0.2%
03552 81.042 - Weather Ben 100%	2,285,864	1.3%	2,569,404	1.2%	2,568,309	1.1%
03571 93.566 - Off Ref Reset Adm 10	9,994	0.0%	9,994	0.0%	9,994	0.0%
03572 93.568 - Lieap Blk Grt Adm	11,901,294	6.7%	11,901,294	5.5%	11,901,294	5.3%
03573 93.569 - Csbg Adm	3,017,353	1.7%	3,225,513	1.5%	3,225,099	1.4%
03579 93.667 - Ssbg - Benefits	46,000	0.0%	46,000	0.0%	46,000	0.0%
03580 6901-93.778 - Med Adm 50%	112,336	0.1%	127,267	0.1%	127,460	0.1%
03669 Doe Region 8	49,001	0.0%	99,246	0.0%	149,246	0.1%
03677 6901-Cacfp 10.558 & 10.560	381,910	0.2%	497,363	0.2%	502,363	0.2%
03678 6901-Food Stamp Benefits	77,555,762	43.4%	95,313,455	44.3%	104,333,514	46.7%
03679 6901-Hopwa Cfda#14-241	355,615	0.2%	483,599	0.2%	483,599	0.2%
03824 Child Care Apprenticeship Prog	-	-	766	0.0%	764	0.0%
03955 Elderly Refugee Grant	55,832	0.0%	55,832	0.0%	55,832	0.0%
03965 Csfp	331,406	0.2%	358,369	0.2%	357,743	0.2%
Grand Total	<u>178,750,805</u>	<u>100.0%</u>	<u>214,939,782</u>	<u>100.0%</u>	<u>223,538,699</u>	<u>100.0%</u>

Food stamp benefit funding, which is federal funding that passes through the state, comprises more than 46 percent of the division's total funding. Funding from the TANF grant for benefit costs comprises 13 percent of the funds for the division. Other than general fund, no other funding source comprises more than 10 percent of the division's funding.

Biennial Budget Comparison

Figure 23 compares 2005 biennium support for the division with the requested 2007 biennium budget. General fund support for the division increases 6 percent due to requested increases in statewide present law adjustments and childcare funding. State special revenue support nearly doubles due to the impact of the prevention and stabilization funding for childcare. Federal funds increase 20 percent due to increases in food stamp benefits, cash assistance, and other federal programs.

Figure 23					
2005 Biennium Compared to 2007 Biennium					
Human and Community Services Division					
Budget Item/Fund	2005 Biennium	2007 Biennium	Percent of Total	Change	Percent Incr/Decr
FTE	452.20	444.36		(7.84)	
Personal Services	\$35,824,425	\$36,273,301	8.3%	\$448,876	1.3%
Operating	11,115,467	11,964,013	2.7%	848,546	7.6%
Equipment	84,457	118,736	0.0%	34,279	40.6%
Grants	30,835,741	31,620,214	7.2%	784,473	2.5%
Benefits/Claims	292,166,032	358,501,113	81.8%	66,335,081	22.7%
Debt Service	93,981	1,104	0.0%	(92,877)	-98.8%
Total Costs	<u>\$370,120,103</u>	<u>\$438,478,481</u>	<u>100.0%</u>	<u>\$68,358,378</u>	<u>18.5%</u>
General Fund	\$44,764,961	\$47,334,390	10.8%	\$2,569,429	5.7%
State Special	669,793	1,219,147	0.3%	549,354	82.0%
Federal Funds	<u>324,685,349</u>	<u>389,924,944</u>	<u>88.9%</u>	<u>65,239,595</u>	<u>20.1%</u>
Total Funds	<u>\$370,120,103</u>	<u>\$438,478,481</u>	<u>100.0%</u>	<u>\$68,358,378</u>	<u>18.5%</u>

Benefit and claims costs increase \$66 million, or 23 percent. This amount includes increases in food stamp benefits, TANF cash assistance caseload, and child care increases.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget proposed by the executive. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
Fiscal 2006					Fiscal 2007				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				1,672,725					1,666,167
Vacancy Savings				(767,180)					(766,898)
Inflation/Deflation				(14,710)					(14,499)
Fixed Costs				13,510					13,546
Total Statewide Present Law Adjustments				\$904,345					\$898,316
DP 41 - Child Care Match Reduction	0.00	(19,063)	0	(1,078,249)	0.00	37,153	0	(1,078,249)	(1,041,096)
DP 54 - Offices of Public Assistance Rent Increase	0.00	64,390	0	64,389	0.00	74,958	0	74,959	149,917
DP 100 - Energy Assistance Increases	0.00	0	100,000	1,094,671	0.00	0	100,000	1,144,671	1,244,671
DP 119 - Food Stamp Benefit Increases	0.00	0	0	17,757,693	0.00	0	0	26,777,752	26,777,752
DP 120 - Child Care Discretionary Fund Increases	0.20	0	0	6,906,315	0.20	0	0	6,906,315	6,906,315
DP 125 - TANF Benefits Assistance Increase	0.00	0	0	3,690,464	0.00	0	0	4,443,244	4,443,244
DP 127 - Child and Adult Care Food Program Increase	0.00	0	0	954,830	0.00	0	0	1,197,642	1,197,642
DP 9999 - Statewide FTE Reduction	(6.37)	(138,946)	0	(138,946)	(6.45)	(141,067)	0	(141,068)	(282,135)
Total Other Present Law Adjustments	(6.17)	(\$93,619)	\$100,000	\$29,251,167	(6.25)	(\$28,956)	\$100,000	\$39,325,266	\$39,396,310
Grand Total All Present Law Adjustments				\$30,161,893					\$40,294,626

DP 41 - Child Care Match Reduction - The executive requests a \$18,090 general fund increase and a \$2 million reduction in funding to adjust child care matching funds for changes in the federal medical assistance participation rate (FMAP) and the level of federal funding that is anticipated for the 2007 biennium. The federal match fund is one funding stream within the Child Care Development Fund (CCDF). In order for a state to draw federal match dollars, it must expend state or local matching funds at the FMAP rate and it must also meet the federal child care block grant maintenance of effort requirements. The executive anticipates that less federal matching funds will be available in the 2007 biennium than is included in the base budget, because carryover funds that existed and were expended in FY 2004 will not exist in the 2007 biennium. Therefore, a reduction in federal funding is requested. Additionally, an increase in general fund is requested because the FMAP rate for the 2007 biennium decreases, requiring a larger state match.

**LFD
ISSUE**

Please refer to the division narrative for a discussion of child care and the general fund and state special revenue appropriated to match federal child care funds.

DP 54 - Offices of Public Assistance Rent Increase - The department is requesting \$139,348 general fund and \$278,696 total funds for increased rental costs for local Offices of Public Assistance (OPA). The largest increase in rent will occur in Glacier County (\$61,002 in the first year and \$62,220 in the second year) due to the relocation of the office to a new building.

DP 100 - Energy Assistance Increases - This decision package requests \$2,439,342 in state special revenue and federal funds for the biennium for anticipated increases in seven federal grants and the universal low income energy assistance state special revenue providing housing, weatherization, and energy and commodity assistance. Anticipated grant increases range from about \$7,000 to \$285,000 per year and vary among grants.

DP 119 - Food Stamp Benefit Increases - The executive requests \$44 million federal funds for the biennium to fund increases in food stamp benefits. The department anticipates that annual food stamp benefit expenditures will exceed \$100 million during FY 2007. Food stamp benefits increase due to caseload growth and poverty level adjustments (expanded eligibility). Contributing factors to the increase in food stamp benefits include changes made by the 2002 farm bill (expanded eligibility for aliens, less frequent (six-month) reporting and federal funding for outreach activities) and a decrease in the monthly TANF cash assistance grant to families.

**LFD
ISSUE**

Please refer to the division narrative for a discussion of food stamp benefit increases.

DP 120 - Child Care Discretionary Fund Increases - The executive requests \$13.8 million federal funds to increase child care discretionary fund spending. The executive seeks to maintain the total funding for child care budget at \$25.6 million per year. The department proposes transferring a substantial amount of the funding needed to sustain childcare at this level from the TANF block grant to child care. Under federal regulation the state must provide child care to TANF families who are mandated to participate in activities designed to help them become self-sufficient. Child care assistance is also used to help transitioning TANF and low-income families pay child care expenses.

**LFD
ISSUE**

Please refer to the division narrative for a discussion of TANF spending

DP 125 - TANF Benefits Assistance Increase - The executive requests \$8.1 million federal funds for the biennium to support a projected three percent per year increase in the TANF cash assistance caseload.

**LFD
ISSUE**

The proposed budget requests that sufficient federal TANF funds be appropriated to fund the entire anticipated costs of cash assistance benefits in the 2007 biennium. However, general fund was used to fund a portion of these benefits in the base year and this general fund remains budgeted as funding for cash assistance benefits. The executive indicated that the general fund would be used to fund supportive services in the 2007 biennium. However, the requested budget does not reflect this usage. Because the general fund used in the base budget to support cash assistance was part of the TANF MOE, the department needs to continue to expend these funds on activities that count as TANF MOE. The legislature may wish to:

- Decrease the federal funding appropriated for cash assistance benefits by the amount of general fund included in the cash assistance benefit budget
- Reallocate the general fund included in the cash assistance benefit budget to other budgetary items so that the legislative budget accurately reflects how these fund will be used

Please refer to the narrative for this division for a discussion of the cash assistance caseload increase.

DP 127 - Child and Adult Care Food Program Increase - The executive requests \$2.2 million federal funds to support an anticipated 2.3 percent increase in program reimbursement rates established by the USDA and number of meals reimbursed. The funding requested would allow for an estimated increase of 215,000 meals in FY 2006 and 270,000 meals in FY 2007.

DP 9999 - Statewide FTE Reduction - This decision package reduces personal services funding equivalent to the across-the-board personal services reduction included in the 2005 biennium budget by the legislature. The reduction in this decision package is offset by an increase in general fund equal to the amount of general fund expenditures for these positions that counted toward TANF MOE.

**LFD
COMMENT**

Please refer to the Statewide Perspectives, Volume 1 for a discussion of this reduction.

New Proposals

New Proposals										
Program	FTE	Fiscal 2006				FTE	Fiscal 2007			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 5 - Continuation of PSA for Child Care (Requires Legislation)										
02	0.00	315,342	350,711	0	666,053	0.00	232,885	349,352	0	582,237
DP 69 - Tribal TANF Maintenance of Effort										
02	0.00	51,031	0	0	51,031	0.00	51,031	0	0	51,031
DP 144 - Higher TANF Work Participation Rates - OTO										
02	0.00	0	0	1,850,000	1,850,000	0.00	0	0	1,850,000	1,850,000
DP 145 - Energy Conservation and Energy Assistance Bien-OTO										
02	0.00	0	0	1,450,000	1,450,000	0.00	0	0	0	0
DP 147 - TANF Incentive Awards										
02	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 148 - TANF Diversionary Projects										
02	0.00	0	0	1,000,000	1,000,000	0.00	0	0	1,000,000	1,000,000
DP 167 - Food Stamp Outreach										
02	0.00	0	0	10,000	10,000	0.00	0	0	10,000	10,000
Total	0.00	\$366,373	\$350,711	\$5,310,000	\$6,027,084	0.00	\$283,916	\$349,352	\$3,860,000	\$4,493,268

DP 5 - Continuation of PSA for Child Care (Requires Legislation) - The executive requests \$548,227 general fund and \$700,063 state special revenue from the prevention and stabilization fund (PSF) for the biennium. The prevention and stabilization fund (PSF) was created by the legislature through the diversion of a portion of the tobacco settlement proceeds. A portion of these funds will be used to draw down federal child care matching funds. The legislation that created the PSF and appropriated the funds to the department sunsets at the end of the 2005 biennium.

**LFD
ISSUE**

Please refer to the agency narrative for discussion of the PSF, the need for legislation to continue this fund, and related issues.

DP 69 - Tribal TANF Maintenance of Effort - The executive requests a general fund increase of \$102,062 for the biennium to fund transfers to tribes that have implemented Tribal TANF plans.

**LFD
ISSUE**

Please refer to the discussion of TANF MOE included in the narrative for this division

DP 144 - Higher TANF Work Participation Rates - OTO - The executive requests \$3.7 million for the 2007 biennium of federal funds to assist the department in meeting the new TANF work participation rates. In December 2003, Montana's waiver that allowed a broadly defined list of activities to count toward work participation expired and was not renewed by the federal government. Because this waiver is no longer available the department believes it will be more costly to place participants into the federally approved work activities, which are more narrowly-defined than those in Montana's waiver. The department anticipates that some individuals will need to be placed in subsidized work experience sites, subsidized employment, or on-the-job training, and that all of these allowable work activities cost more than placing individuals in unsubsidized employment sites.

DP 145 - Energy Conservation and Energy Assistance Bien-OTO - A biennial appropriation of \$1,450,000 federal funds is requested to spend the existing energy conservation and energy assistance account (ECA) funds established in 90-4-215, MCA for low-income energy assistance and low-income home weatherization.

**LFD
COMMENT**

The energy and conservation assistance account was established by the legislature in 1987 utilizing funds levied by the federal government against Exxon and Amoco, Diamond Shamrock and other companies. The funds in this account may be used by the department to fund low-income energy and weatherization assistance. Prior to 1999 these funds were statutorily appropriated to the department. However, the 1999 Legislature passed legislation that removed the statutory appropriation provision. Since that time these funds have been appropriated through HB 2. An appropriation from this fund was made in 1999. However, no appropriation from this fund was made in 2001 or 2003.

**LFD
ISSUE**

Given that the level of funds available from the energy conservation fund are variable, and because these funds have not been appropriated every biennia, the legislature may wish to provide this appropriation as a restricted, one-time-only appropriation so that it is not included in the base budget for the next biennium.

DP 147 - TANF Incentive Awards - The executive requests \$2 million federal funds for the 2007 biennium to provide achievement incentives to TANF participants. The department anticipates utilizing the concept of "pay for performance", which has been used in many welfare reform programs across the nation as well as in Montana in a small pilot program in Wolf Point. The \$2 million allocated for incentive awards would be used to develop a pay for achievement, or incentive award for those TANF participants who achieve their GED, maintain employment for specified time periods, or for other achievements that help to move families toward self-support.

DP 148 - TANF Diversionary Projects - The executive requests \$2 million federal funds for the 2007 biennium to provide diversionary projects to help prevent families that are in a short-term crisis from becoming TANF benefits recipients. In Montana's original welfare reform design, a component called the Job Supplement Program was implemented as a diversionary effort to bridge short-term crisis for families that may have come onto the public assistance rolls if not for a small infusion of funds to tide them over to the next job or to relocate them to their next employment. This program was ended when federal welfare reform passed, time limits were implemented, and work participation requirements were mandated. The department is again interested in implementing a diversion program using TANF funds without triggering time limits or work participation requirements.

DP 167 - Food Stamp Outreach - The executive requests \$20,000 federal funds for the biennium to fund expansion of the Food Stamp Outreach program into Lewis and Clark and Silver Bow counties. According to the department, the Farm Bill of 2002 authorized \$5,000,000 for states to increase their outreach activities. This new funding is made available to assist states in achieving increased participation in the Food Stamp Program. In addition, the farm bill provides \$12,000,000 for performance bonuses for the four states with the highest participation access rate and the four states with the most improved participation access rate.

Language

The President's current budget proposal intends "to adjust cost allocations as they relate to TANF, Medicaid, and the FSP. It will reduce the federal reimbursement for administrative costs of Medicaid by \$300 million to reflect the share assumed in the Temporary Assistance for Needy Families (TANF) block grant and will prohibit states from using TANF funds to pay these costs in FY 2005." Montana's share of the \$300 million is \$646,000 to be offset annually from the state's administrative costs for the Medicaid program. This amount is not included in the proposed budget for the Human and Community Services Division. Sometime during the 59th legislative session the department will know if the federal FY 2005 budget contains this Medicaid Offset requirement and, at that time, the budget may require modification based on the final determination of the cost to Montana.

**LFD
COMMENT**

Because the executive expects to know sometime during the legislative session whether or not it will be required to repay the federal government, inclusion of this language in HB 2 is unnecessary.